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5160

# INDIGENT SUPPORT POLICY

FINAL

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N. Nomandela

Municipal Manager

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M.D. NGQONDWANA

Honourable Mayor

## P R E A M B L E

**Whereas** section 96 of the Local Government: Municipal Systems Act, 2000 (Act No 32 of 2000) requires a municipality to adopt, maintain and implement a credit control, debt collection and customer care policy;

**And whereas** section 97 of the Systems Act prescribes that such policy must provide for “provision for indigent debtors that is consistent with its rates and tariff policies and any national policy on indigents.”

**Now therefore** the Municipal Council of the Municipality of Nyandeni adopts the Indigent Policy as set out in this document:-

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## DEFINITIONS

**“Municipality”** means the Nyandeni Local Municipality, established in terms of Section 12 of the Municipal Structures Act, 117 of 1998, and includes any political structure, political office bearer, councillor, duly authorized agent or any employee acting in connection with this by-law by virtue of a power vested in the municipality and delegated or sub-delegated to such political structure, political office bearer, councillor, agent or employee;

**“Energy White Paper”** means the White Paper on Energy Policy for South Africa of 1988

**“Free Basic Electricity”** means specified free amount of electricity supply deemed necessary to support basic electricity services for indigent household as determined from time to time.

**“Free Basic Alternative Energy”** means any other form of basic energy excluding electricity (Including solar home system) deemed necessary to support basic energy needs of an indigent household as determined from time to time and funded by the government.

**“Child headed household”** means a household where both parents are deceased and where all occupants of the property are children of the deceased and are under the legal age to contract for services.

**“Indigent household”** means any household or category of households, including a child headed household, earning a combined gross income of two state pension fund revised annually, which qualifies for rebate/remissions, support or a services subsidy; provided that child support grant are not included when calculating such household income.

**“Indigent Register”** means the database which has to be updated and reconciled with financial system on a monthly basis, designed to contain all the inputted data contained within completed indigent application form.

**“Indigent Management System”** an electronic management system applied by Nyandeni Local Municipality for the management of the register of indigent households;

**“Service Provider”** that means an agent (persons or institution or any combination of persons and institutions), which provides service(s) on behalf of the Municipality.

**‘Rates’** means any tax, duty or levy imposed on property by the Council.

**‘Occupier’** means the person who controls and resides on or controls and otherwise uses immovable property, provided that.

**ABBREVIATIONS AND ACRONYMS**

BEE	Black Economic Empowerment
DME	Department of Minerals and Energy
DPLG	Department of Provincial and Local Government
EWP	Energy White Paper on Energy Policy
FBAE	Free Basic Alternative Energy
FBE	Free Basic Electricity
FBS	Free Basic Service
INEP	Integrated National Electrification Programme
SABS	South African Bureau of Standards
SHS	Solar Home System
ID	Identity Document
IDP	Integrated Development Plan
LED	Local Economic Development
RSA	Republic of South Africa
RDP	Reconstruction and Development Programme
KW	Kilowatts

## BACKGROUND

In 2000, Government announced its intent to provide free basic services to Indigent households. In this regard various services including energy were identified as basic services to be supported by Government's programmes with respect to indigent households.

Free Basic Electricity was launched by the Department in 2003, with the aim to support indigent households in meeting their basic energy needs. However the programme suffers in most areas because of limited grid availability. After seeing this, the Department realised the need to support indigent households that reside in un-electrified areas with free basic alternative energy.

In this regard, the policy on Free Basic Alternative Energy is intended to provide indigent households with alternative energy where electricity is not available. Since it is the local sphere of government that is tasked with discharging such a service, there is a need to strike a balance between a number of factors including but not limited.

**I trust that the contribution or our three current programme namely:** (We are repealing this part)

Integrated National Electrification Programme, Free Basic Electricity and Free Basic Alternative Energy under the auspices of the Department will go a long way in improving the quality of life of the less fortunate South Africans.

## INTRODUCTION

The Indigent program's objective is to support indigent households with free basic services so as to meet their basic needs. It is due to high level of unemployment and poverty in the municipal area that there are households who are unable to pay for basic municipal services. Therefore the Nyandeni Local Municipality views it necessary that steps are taken in alleviating some of the difficulties associated with access to basic services.

This provision of free basic services by Nyandeni Local Municipality is part of a broader social agenda and anti-poverty strategy of the National government as it is mentioned in the background section. The Municipality as a third sphere of governance therefore strives to fulfil this broader national strategy as contemplated in **section 152 of the constitution of South Africa**.

Nyandeni Local Municipality therefore adopts the indigent policy which embodies an indigent support programme not only providing procedures and guidelines for the subsidisation of services charges to indigent households in its area of jurisdiction, but also to increase the quality of life of the beneficiaries by assisting them to exit from the indigent program.

## 1. LEGISLATIVE FRAMEWORK

**1.1 Section 26(1)(2) and 27(1)(2) of the Constitution of Republic of South Africa** provides that everyone has a right to have access to adequate housing, health care, food, water and social security.

**1.2 Section 152(1) (b,c,d) of the Constitution of Republic of South Africa** provides objective of Local government which includes among others:

- To ensure the provision of services to the communities in a sustainable manner.
- To promote social and economic development.
- To promote a safe and healthy environment.

**1.3 Section 153(a) of the Constitution of Republic of South Africa** provides that a developmental municipality must structure and manage its administration and planning process to give priority to the basic needs of the community and to promote the social and economic development of the community.

**1.4 Section 120 and 97 of the Municipal Systems Act** mandates the DPLG to issue guidelines or regulation which serve as a guide for municipality's indigent policies and provide advice among others on the development and implementation of municipal indigent policy.

**1.5 Section 15 of the Property Rate Act** provides for the exemption of certain category of persons from full pay account.

## 2. POLICY PRINCIPLES

In recognition of the abovementioned National Framework the Nyandeni Local Municipality undertakes to promote the following principles:

- 2.1** To ensure that the Equitable Share received annually will be utilised for the benefit of the poor only and not to subsidise rates and services charges of those who can afford to pay;
- 2.2** To link this policy with the Nyandeni Local Municipality's IDP, local economic development (LED) initiatives and poverty alleviation programmes;
- 2.3** To promote an integrated approach to free basic service delivery; and
- 2.4** To engage the community in the development and implementation of this policy

### 3. POLICY OBJECTIVES

The Council recognizes that many residents can simply not afford the basic services provided and for this reason the council will endeavour to ensure affordability through.

- Setting tariffs in terms of the council's Tariff Policy, which will balance the economic viability of continued service delivery and
- Setting guidelines on the level of services that will be supplied to indigent household.

In support of the above principles the objectives of this policy will be to ensure the following:

- 3.1** The provision of basic services to the community in a sustainable manner within the financial and administrative capacity of the Council;
- 3.2** The financial sustainability of free basic services through the determination of appropriate tariffs that contribute to such sustainability through cross subsidisation;
- 3.3** Establishment of a framework for the identification and management of indigent households including a socio-economic analysis and an exit strategy;
- 3.4** The provision of procedures and guidelines for the subsidisation of basic charges and the provision of free basic energy to indigent households;
- 3.5** To ensure co-operative governance with other spheres of government; and
- 3.6** To enhance the institutional and financial capacity of the municipality to implement the policy.

## CHAPTER 2

### 4. IMPLEMENTATION OF FBS

#### 4.1 Funding of FBS

Funding is critical aspect to a successful implementation of any poverty alleviation initiatives including FBS. In line with national government support to its programme, Funds are allocated to municipalities though Equitable Share grant disbursed by DPLG [National Treasury](#).

#### 4.2. QUALIFICATION CRITERIA

A residential household can only be registered as indigent if it meets all the following criteria:

- 4.2.1 Permanent resident of Republic of South Africa. Must have a bar coded South African identity document. (ID/Birth Certificate)
- 4.2.2 Reside in the jurisdiction of Nyandeni Local Municipality.
- 4.2.3 Has total household income that equals or is less than joint amount of two state old pension with exclusion of child/disability state grants.
- 4.2.4 The person applying on behalf of the household is older than 18 years of age except in a case of child headed households.
- 4.2.5 The person applying does not own other fixed property than the one in which he/she resides.
- 4.2.6 The applicant aggress that he/she is in need of indigent support.

## 5. TARGETING OF INDIGENT HOUSEHOLDS

The effective targeting of indigent households and the implementation of this policy will depend largely on the social analysis included in the IDP, the LED initiatives and other poverty relief programmes of the Nyandeni Local Municipality. The socio-economic information and performance indicators contained in these documents must form the basis for the targeting of indigent households.

Against the background of such socio-economic analysis, the municipality must within its financial and institutional capacity decide which targeting approach or option should be applied.

The Municipality will apply the following targeting methods.

Targeting approach	Application
<b>1. Service levels</b>	Lowest service levels normally in informal settlements and rural areas.
<b>2. Property value</b>	Applicable only to registered indigents in respect of subsidised or RDP housing to a value determined in addition to the R30 000 in terms of the Property Rates Act, 2004.
<b>3. Household income</b>	Threshold shall be an amount not exceeding joint amount of two old state pensions revised annually and Child support/disability grant shall not be included when calculating such household income.
<b>4. Geographical (Zone) targeting</b>	Specific areas (rural or urban) where households are regarded as poor irrespective of service level.

## 6. EXTENT OF INDIGENT SUPPORT

The extent of the monthly indigent support granted to indigent households must be based on budgetary allocations for a particular financial year and the tariffs determined for each financial year.

Within the abovementioned budgetary process, and in striving to create a situation where poor households will be granted access to a full social package, the following assistance and support may be granted:

### 6.1 Electricity

Each registered indigent household shall receive electricity fully subsidised to a maximum of **50 kWh per month**. This subsidy may also apply to registered indigent households in rural areas where the municipality is the electricity supplier while agreements with Eskom, where the latter is the supplier, may be negotiated to support such households

### 6.2 Refuse removal

Each registered indigent household shall be fully subsidised on monthly bases for refuse removal as provided for in the annual budget.

### 6.3 Property Rates

Each registered indigent household shall be subsidised for property rates as provided for in the annual budget and subject to the provisions of the Municipal Property Rates Act, 2006.

### 6.4 Basic Energy

Indigent households in **informal settlements/in areas** where limited or no electricity is available, may be provided with alternative energy sources including, but not limited to: paraffin, fire gel, liquefied petroleum gas, etc., provided that procurement of service providers or services shall be subject to the Supply Chain Management regulations of the municipality and that the support given does not exceed the level of support given to other indigent households. As for electricity 50kw free per month (The service shall be supplied by Eskom) and alternative energy Paraffin of up to 20 litres.

## 7. ASSISTANCE PROCEDURES

### 7.1 Communication

The municipality must develop a communication strategy in terms of which communities will be informed and educated in order to have a clear understanding of this policy and its implementation. Regular information dissemination and awareness campaigns must be undertaken to eliminate unrealistic expectations both in terms of qualifying for subsidy as well as service delivery in general and methods of communication may include, but will not be limited to:

- 7.1.1 Ward committees, CdW's, and ward clerks;
- 7.1.2 Traditional leaders, where applicable;
- 7.1.3 Community based organisations;
- 7.1.4 Local radio stations and newspapers;
- 7.1.5 Municipal accounts;
- 7.1.6 Imbizo's and road shows; and
- 7.1.7 **Jamborees where government and municipal officials are made available to assist residents with applications such as ID applications, pension- and social grant applications, etc. (We are repealing this part)**

### 7.2 Institutional arrangements

The municipality must designate existing staff or appoint officials, or engage properly Community Development Workers who have been trained in terms of the municipality's directions to assist with the implementation and development of this policy and must establish appropriate registration points in its area, the cost of which may be funded through the equitable share allocation.

### 7.3 Application/Registration

A person applying for indigent support must complete a formal indigent support application form approved by the municipality. Such forms will be available at approved registration points provided by the municipality and shall be dealt with in terms of the Procedures Manual.

#### **7.4 Assessment & Screening of Applicants**

Upon registration of an application, all information must be verified by the Programme Officer in terms of the Procedure Manual.

#### **7.5 Recommendations Approval**

Once the verification has been completed for the Indigent Management System must generate a recommendation based on the information captured in the database and shall be dealt with in terms of the Procedures Manual.

Once the verification has been completed for the Indigent Register a recommendation based on the information captured in the database and shall be approved by the Council.

Material amendments to the indigent register must be tabled to council delegated committee and Council

#### **7.6 Right of appeal**

An applicant who feels aggrieved by a decision taken in respect of his or her application may lodge an appeal in terms of section 62 of the Municipal Systems Act, 32 of 2000.

## CHAPTER 3

### 08. PROCESS MANAGEMENT

#### 8.1 Applications

With the exception of Property and Zonal Targeting the indigent application form should be completed in full and then captured onto the relevant indigent register and accounting system.

#### 8.2 Validity period

The validity period of assistance will be for the duration that the applicant remains indigent. Households, in terms of the audit and review process, will be subjected to scrutiny to determine any change in status. Households may have to periodically re-apply after 12 months.

#### 8.3 Death of Registered Applicant

In the event that the approved applicant passes away the heir/s of the property must re-apply for indigent support, provided that the stipulated criteria are met.

#### 8.4 Publication of Register of Indigent Households

Names of indigent beneficiaries must be open for public perusal and comment. Written objections from the public must be referred to the Programme Officer who will be responsible for investigating the validity of the complaint and referral to the Indigent Committee for appropriate action.

#### 8.5 Arrears and excess usage of allocations

- 8.5.1 Upon registration as an indigent household, the arrears on the account of the applicant will be kept pending for a period of at least six months after which it may be written off with council's approval.
- 8.5.2 No interest may be calculated on the arrears as contemplated in 10.4.1.
- 8.5.3 If the applicant exits from the indigent support programme within the six months period in 10.4.1, the arrears will be re-introduced in the account and will be subject to the credit control and debt collection policy of the municipality;

10.5.4 Where an indigent household exceeds the water consumption level approved by the municipality, the supply may be restricted.

## 8.6 Termination of Indigent Support

Indigent Support will be terminated under the following circumstances:

- 8.6.1 Upon death of the account-holder or the head of the household where no accounts are rendered.
- 8.6.2 At the end of the 12 months cycle, except in the case of pensioners and child-headed households.
- 8.6.3 Upon sale of the property in respect of which support is granted.
- 8.6.4 When circumstances in the indigent household have improved to the extent where the income threshold as determined is exceeded.
- 8.6.5 If the applicant is found to have lied about his/her personal circumstances or has furnished false information regarding indigent status, in which case the following will apply:
  - 8.6.5.1 All arrears will become payable immediately;
  - 8.6.5.2 Stringent credit control measures will apply; and
  - 8.6.5.3 The applicant will not be eligible to apply for indigent support for a period of 2 years.

## 8.7 Audit and review

The municipality may conduct regular audits of the indigent register with regard to the information furnished by applicants, possible changes in status, the usage of allocations and debt collection measures applied and where necessary review the status of applicants. The frequency of such audits will depend on the institutional capacity of the municipality to do so. **It is proposed that at least the Indigent Register will be reviewed annually.**

## 8.8 Exit Program

Members of households registered as indigent must be prepared to participate in exit programmes co-ordinated by the municipality in collaboration with other government departments and the private sector.

As part of its broader poverty reduction programme the municipality undertakes to provide for the participation and accommodation of indigent persons in its local economic development (LED) initiatives and in the implementation of integrated development programmes where possible.

The municipality must promote exit from indigence by -

- 8.8.1 Identifying indigents for inclusion in public works projects;
- 8.8.2 Initiating local job creation projects such as cleansing operations, small infrastructure projects, etc;
- 8.8.3 Facilitation of opportunities to enter the informal trade market;
- 8.8.4 Facilitation of food security projects; and
- 8.8.5 Liaison with National and Provincial departments to include indigent persons in their public works programmes.

## 9. MONITORING AND REPORTING

- 9.1 The (Chief Financial Officer) Accounting Officer must report (monthly) Quarterly to the (Municipal Manager) Council via the municipality's Service Delivery and Budget Implementation Plan to enable the Municipal Manager to report to Council and other interested parties. Such report shall reflect on:
  - 9.1.1 Number of indigent households' applications received;
  - 9.1.2 Amount of subsidy allocated per benefit category;
  - 9.1.3 Amount of debt accumulating and debt recovery information (number of customers; enquiries; default arrangements; growth or diminishing of arrear debtors; ideally divided into wards, domestic, state, institutional and other such divisions);
  - 9.1.4 Performance against targets set in respect of indigent support and poverty relief and in particular with regard to the following:
    - 9.1.4.1 Number of applications for indigent support processed
    - 9.1.4.2 Time taken to process and finalise applications;
    - 9.1.4.3 Site visits undertaken;
    - 9.1.4.4 Awareness initiatives; and
    - 9.1.4.5 Exit initiatives.
  - 9.1.5 Changes in the registered status of indigents.

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## 10. CAPACITY BUILDING

10.1 The municipality must ensure that all officials and councillors are appropriately capacitated in Free Basic Services in terms of the following key areas:

- Database management
- Demand and revenue management
- Policy and by-law implementation

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